

## Message Text

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44

ACTION AF-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 EB-07 OMB-01

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 TRSE-00 /093 W

----- 053498

R 041330Z MAY 76

FM AMCONSUL DURBAN

TO SECSTATE WASHDC 2163

INFO AMEMBASSY PRETORIA

RUE SAB/AMCONSUL CAPE TOWN 1581

AMCONSUL JOHANNESBURG

AMEMBASSY MASERU

AMEMBASSY LONDON

USMISSION USUN NEW YORK

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E.O. 11652:N/A

TAGS: EAID, PGOV, SF

SUBJECT: TRANSKEI SEEKING FOREIGN LOAN

REF: 75 DURBAN A-74

1. BEGIN UNCLASSIFIED. DURING THE INITIAL PRESENTATION OF THE TRANSKEI' 1976/77 BUDGET MAY 3, CHIEF MINISTER KAISER MANTANZIMA ANNOUNCED THAT NEGOTIATIONS WERE IN PROGRESS FOR A "SOFT" LOAN OF OVER R14 MILLION (MORE THAN DOLS 16 MILLION) "AVAILABLE ABROAD FOR FINANCING INFRASTRUCTURE AND CAPITAL PROJECTS". MANTANZIMA DID NOT IDENTIFY THE OVERSEAS LOAN SOURCE. IF NEGOTIATIONS ARE SUCCESSFUL THE LAON, TO BE GUARANTEED BY THE SOUTH AFRICAN GOVERNMENT (SAG), WOULD MAKE UP A SHORFALL OF SOME R14.757 MILLION IN THE FORECAST 1976/77 BUDGET. THE SHORTFALL STEMS FROM THE FAILURE OF THE SAG TO GRANT THE TRANSKEI AN EXPECTED AMOUNT OF R120 MILLION; INSTEAD ONLY R93.033 MILLION WAS PROVIDED, ACCORD-  
ING ING TO MANTANZIMA.

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2. MANTANZIMA PRESENTED A 1976/77 BUDGET OF R135.8 MILLION, OF

WHICH R28 MILLION (16 PERCENT) WILL COME FROM THE TRANSKEI ITSELF. R22 MILLION OF THE LATTER WILL BE GENERATED FROM CURRENT REVENUES WHILE THE REMAINDER (R6 MILLION) REPRESENTS SAVINGS FROM THE PREVIOUS YEAR'S BUDGET. MANTANZIMA ATTRIBUTED THE INCREASE IN 32 PERCENT OVER THE PREVIOUS YEAR'S BUDGET TO THE ACQUISITION OF TWO NEW DISTRICTS (GLEN GRAY AND HERSCHEL), PREPARATIONS FOR INDEPENDENCE AND INCREASED SOCIAL BENEFITS. HE PREDICTED FURTHER BUDGET INCREASES LATER THIS YEAR AS THE RESPONSIBILITIES OF THE TRANSKEI GOVERNMENT GROW FOLLOWING INDEPENDENCE. MANTANZIMA ALSO STATED THAT A FORMAL AGREEMENT BETWEEN THE SAG AND THE TRANSKEI, TO BE SIGNED BEFORE INDEPENDENCE, WOULD COVER FUTURE FINANCIAL RELATIONS BETWEEN THE TWO PARTIES.

3. BEGIN LOU. COMMENT: THE NECESSITY OF LOOKING FOR A FOREIGN LOAN MONTHS BEFORE INDEPENDENCE UNDERLINES THE PRECARIOUS FUTURE FINANCIAL POSITION OF THE TRANSKEI. DESPITE PREVIOUS SAG INDICATIONS OF FULL FINANCIAL SUPPORT TO THE HOMELAND AFTER INDEPENDENCE, AND THE RECOGNITION THAT THIS IOULD BE AN OPEN-ENDED COMMITMENT (REFAIR), THE SAG IN THE FIRST INDEPENDENCE BUDGET YEAR SEEMS HEADED FOR A R27 MILLION SHORTFALL IN ANTICIPATED SUPPORT. A SECOND MOTIVE TO THE TRANSKEI'S SEARCH FOR A FOREIGN LOAN MAY ARISE FROM ITS NEED FOR SOMESNORM OF INTERNATIONAL RECOGNITION. MANTANZIMA'S STATEMENT IS UNCLEAR, HOWEVER, ON WHETHER THE POTENTIAL CREDITOR IS A GOVERNMENT, INTERNATIONAL INSTITUTION OR A PRIVATE FINANCIAL ORGANIZATION.  
FARBER

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## Message Attributes

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